PRESIDENT: It being 12 O'clock now and the question-time over, the remaining questions will go to the next day.

The next item of the business is the demand for grants. We are at Demand No. IX Co-operative Department.

VOTING OF DEMANDS FOR GRANTS.—(*contd.*)

DEMAND IX - CO-OPERATIVE DEPARTMENT—(*contd.*)

Motion No. 607 (*contd.*)

MR. A. THANU PILLAI (*Trivandrum—Rural*): Sir, the facts adduced in respect of the motion are such that the Registrar is not guilty of the charges levelled against him. I would merely go through the reports published by the Government on the departmental report as well as the Devadhar Committee Report. Sir, the Departmental Report for 1109 says:

> "A co-operative audit is not merely an arithmetical calculation and drawing up of a balance-sheet, but it implies a thorough and inquisitorial examination into the assets, liabilities, bad debts, etc. of a society, and bringing to lime-light all flagrant defects and flaws in the general working. As it is obtained at present, this important work is accomplished in a perfunctory manner on account of paucity of hands and heaviness of work."

Then he goes on to say that the work was done with the help of non-official agency. He says that the work is not at all satisfactory and adds:—

> "Unless and until the staff of the Department is sufficiently augmented, no improvement in the quality of audit can be expected; nor will the department be in a position to prepare and submit all the returns and reports in time prescribed by Government."

Sir, this is a report, I would frankly submit to the House, which the Government should be ashamed of publishing.

The Committee says:—

> "The Registrar had to requisition the services of men who have been in touch with the movement and who have had some experience in audit as also of the supervisors engaged by the Unions. In the years 1106, 1107 and 1108, the number of societies audited by the Deparment was 783, 805 and 852 respectively, out of an average total of 1,800 every year. The Registrar himself admits that the audit of the Societies was unsatisfactory and the evidence of the majority of the witnesses endorsed this view."

I ask whether the Government realise the importance of this matter and the extent to which they are guilty. These societies are all registered by the Registrar of Co-operative Societies under the provisions of the Regulation which they themselves have enacted. I may also submit, Sir, in this connection that the Government at the time was good enough even to make a specific provision that the audit fee should not be charged to the Society. In British India there is nothing like that. The Societies are all neglected. Not even half the number of societies are audited by the departmental agency and the audit of the non-departmental agencies is by no means satisfactory. Now, Sir, what is it that the Government should do? The Devadhar Committee says that, if satisfactory audit has to be conducted,

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not more than 50 societies should be entrusted to one Co-operative Inspector. At that rate, Sir, seeing that the number of societies amount to 1,762, we want 35 Inspectors for attending to this work alone. But I find that the total number of Inspectors now employed is only 27, and how is it that the Government will be able to finish the audit work of all the societies and that to be done satisfactorily? It is impossible. Either we should scrap these societies or the audit should be done efficiently. Sir, the audit is the most important work of the Registrar. Under the existing state of affairs, it is evident that it is always the poor men that join these societies and invest their money there. And most of the societies are societies with no limited liabilities, so that, if the accounts are not properly audited and the transactions not scrutinised, the result will be that some innocent persons may be in hot waters. This fact should certainly be taken into account by our Government and the necessary caution made. We should appoint a sufficiently large number of inspectors to carry on the audit work to the entire satisfaction. That is a vital point.

Then another point that was raised here is the misappropriation of the societies' funds and the reluctance on the part of the Registrar in taking prompt action. It was vehemently urged yesterday that, in all cases of misappropriation, Government should be ready and willing to start criminal prosecutions. Now the Registrar can give an explanation for want of adequate staff. There also he pleads a paucity of hands. There is much force in what the report says. This is what the Annual Report says in that connection :—

> "This is a menace to the progress of the movement. The societies concerned are rather reluctant to take drastic action. They were generally satisfied by restitution. The department was anxious to start prosecution in as many cases as possible, but in consideration of the inadequacy of hands and the time, energy and expense involved in the satisfactory termination of such legal proceedings, it was more often than not deemed expedient not to hazard institution of criminal proceedings as long as alternative courses were left open. Difficulties have also been experienced at times in getting prosecution work done through the Prosecuting Inspectors of Police or Sirkar Vakils since, they were prone to view such extra work as not falling within the ambit of their legitimate duty."

A question was raised whether Prosecuting Inspectors or Sirkar Vakils can refuse to conduct the case. As a matter of fact, in practice, there may be difficulty now. Unless the Registrar is really helped by these officers, it may not be practicable to conduct prosecutions successfully. Here also, I think, I should clearly express my view that, unless the staff is adequate, it won't be possible to manage a criminal prosecution. Again, as has been pointed out in the Report, the societies themselves must be willing to see that their own men are dragged into the court hall. The necessary help—financial and other help—from the several societies may not be forthcoming. Under such circumstances there must be a provision of adequate staff and the men from the societies should also be prepared to stand by and co-operate with the Registrar in this matter. Otherwise the proposals are not likely to

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[Mr. A. Thanu Pillai.]

be successfully put through, and on the other hand will become fruitless. The real point now at issue is to provide adequate staff for the department. Sir, I was told that provisions were made or proposed to be made in the Budget—a lump sum provision—and that was not approved by the Finance Committee, because the outline of the scheme was wanting. What I wish to point out is this. The Devadhar Committee report says that at least twice the amount now spent on the department should be allotted for the work. Now it is about Rs. 60,000. They demand that at least Rs. 1,20,000 must be allotted. Otherwise the work cannot go on satisfactorily. Of course, the Report also says that it may go up to a maximum of thrice the amount spent on the Department, *i. e.*, to Rs. 1,80,000. At any rate let us at least allot double the amount that is now spent on the Department. This minimum amount, the Committee recommends, must be spent, if the co-operative work is to be proceeded with. Now I want only to emphasise that point. I don't want to throw any blame either on the Government or the Registrar. So let proper arrangements be made, as otherwise the Government will be committing a breach of faith that has been reposed upon them by the poor people. So, Sir, once again I emphasise that adequate funds should be provided. With these few words, I resume my seat.

MR. K. KUNJUKRISHNA PILLAI (*Quilon I*): Sir, whatever criticism we might have levelled against the facts stated in the Report, I think the House must be thankful to the Registrar for stating the facts as they are. And I think it is a very frank statement now obtained regarding the co-operative societies. Sir, most of our societies are credit societies wherein the poor people have invested their monies because of the belief that Government are functioning in aid of this department and that Government will take some sort of care with regard to the money that they invest in these societies. Sir, a considerable portion of the confidence that the public repose in these co-operative societies is generated on account of the obvious attitude of Government with regard to the movement of co-operation. That makes Government responsible in a very large measure and to a very large extent for the proper management of these societies, and the control that the Government ought to have exercised with regard to these societies is the supreme function of Government. The Registrar admits in the report that it is a most important statutory function. I am not aware whether any excuses were legitimately made for not doing that statutory function. That is the question that now concerns this House. Inspection and audit, both of them, it has been admitted, are important and peremptory. We are first to consider what are the excuses. One of the excuses is that there is no adequate staff. Who is responsible for this defect? Did the Registrar ask the Government in time for the necessary help? Did he make representation to Government for sufficient number of staff, when he found the necessity for that? If he has done that—we do not know about it—and Government have not given

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him the much-needed help, well the fault lies on the part of the Government. It is easy to throw the blame on the Registrar. Perhaps the Registrar may be helpless and Government may not have taken the necessary action. If the Government have not taken prompt action in this connection, I consider it a breach of faith.

MR. N. E. VARUGHESE (*Tiruvalla I*): May I know from the member whether the Registrar has applied for any help from the Government?

MR. K. KUNJUKRISHNA PILLAI (*Quilon I*): No, Sir, that is an entirely different matter.

Sir, with regard to launching criminal prosecutions, the Registrar says that the non-official bodies are not willing to launch prosecutions. Naturally there may be reluctance to launch prosecutions on the part of the non-official bodies. That is the reason why we want the Government to control the movement, because we have not developed sufficient sense of responsibility among the non-officials, so that the matter of the management of the societies may be completely left to them, so that they may do everything in public interest. That defect has to be remedied. That is the reason why we insist that Government must continue to have control over these societies. Sir, another excuse given is that the Sirkar Vakils and Prosecuting Inspectors are not doing their duties. They seem to say that it is not within their legitimate province. Has the Registrar brought this fact to the notice of the Government as and when the occasions arose? Has he taken prompt action as on the answer to this question depends the responsibility for the dereliction? And then if instead of taking prompt action he has failed in his duty, the responsibility or the guilt should be fixed either on the Government or on the departmental head. Any way whether it is due to the neglect of the Government or whether it is due to the want of interest on the part of the Registrar, the people who suffered are the poor people who invested, reposing full confidence in the competence and responsibility of the Government. That factor has to be taken notice of. I do not think that Government can shelve the responsibility by pleading excuses. They must see that the existing evils are removed. If they cannot possibly muster sufficient strength to safeguard the money invested by the poor people, they must sever their connection entirely from the movement. It is no excuse saying that the non-official agency did not co-operate in launching prosecutions. How can they launch a prosecution? Take, for instance, a small society. Will it be able to find funds for launching a prosecution against its own office-bearers? It cannot. The work has been undertaken by Government, because Government have got a vital connection with the movement and because Government are interested in control *i. e.*, inspection and audit of the societies. Therefore, they should find funds to see that prosecutions are promptly and properly conducted. With these words, I support the motion.

MR. M. GOVINDA PILLAI (*Registrar of Co-operative Societies*): Sir, the debate on this motion has centred round two great defects in the administration of the Co-operative Department by the Registrar.

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One relates to the unsatisfactory conduct of audit of Co-operative Societies, and the other is the lack of prompt action in cases of misappropriation and other irregularities. A perusal of the annual reports of the Department for the past several years will convince the members of this House that successive Registrars have admitted in clear and unambiguous language the unsatisfactory conduct of audit, deploring at the same time the inadequacy of the staff to assist the Registrar in the conduct of audit. The Government have not been unaware of the situation. And the institution of the Devadhar Committee has been the result. The Committee has formulated definite, elaborate and detailed recommendations on all these subjects which are engaging the anxious attention of Government, and which they propose to implement after they have had the benefit of the valuable suggestions of the members of the Legislature on those recommendations.

In spite of the paucity of staff, the Department has been trying to conduct audit in as satisfactory a manner as possible. They have been conducting the audit with the collaboration and assistance of the supervising unions. I wish to avail myself of this opportunity to express my indebtedness to such of the unions as have extended to me their support in this direction.

MR. A. S. DAMODARAN ASAN (*Mavelikara*): Was any reluctance shown by the supervisors in auditing the Societies ?

MR. M. GOVINDA PILLAI (*Registrar of Co-operative Societies*): That is why I said 'such of the supervising unions as have extended to me their support.

MR. A. S. DAMODARAN ASAN (*Mavelikara*): Is there a large number of unions that have not supported him ?

MR. M. GOVINDA PILLAI (*Registrar of Co-operative Societies*): Very few.

MR. A. THANU PILLAI (*Trivandrum-Rural*): Do Government realise at least now that audit by departmental agency is essential ?

MR. M. GOVINDA PILLAI (*Registrar of Co-operative Societies*) Government have recognised that responsibility. It is a statutory responsibility vested in Government, and they have realised it. When the proposals of the Committee are implemented, Government will have this in prominent view in reorganising the Department.

In regard to the second charge, namely, want of prompt action when cases of irregularities are brought to the notice of the Registrar, I say that the Department has been taking action when flagrant cases of irregularities are brought to the notice of the Registrar. During the two years and more I have been in charge of the Department, I have had the painful necessity of launching half-a-dozen prosecutions for various offences such as misappropriation and fraud. Two cases have ended in conviction and the others are in different stages of investigation. While the non-official members of the House have been complaining that the Registrar has not been prompt in taking action, I have to complain that non-officials have not shown alacrity in assisting the Department to conduct prosecutions to a successful termination. I

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would therefore appeal to the non-official members to bring their influence to bear on the members of Co-operative Societies so as to persuade the members to assist the Department in conducting the prosecutions and not to effect combinations against the Department to defeat prosecutions. There have been cases in which the Department was not able to launch prosecutions because of such action on the part of members.

Sir, during this session of the Assembly, on more than one occasion, my friend Mr. Sivatanu Pillai adverted to a recent case of a defalcation in the Excise Employees' Benefit Fund Co-operative Society, and he even attempted to convey the impression to the House that, in spite of serious malpractices in that Society, the Registrar has been heaping encomiums on that Society. I may say at once that, whenever the Registrar said anything eulogistic about that Society, he was perfectly aware that the Board of management deserved the encomium. In fact the defalcation took place only during this year. I confess that, in spite of the bye-laws of the Society, the Secretary has been keeping large amounts of money in his hands. Warnings had been administered to the Secretary then and there.

MR. P. K. NARAYANA PILLAI (*Ambalapuzha I*): Was that fact known to the Registrar when he went on eulogising the Managing Board?

MR. M. GOVINDA PILLAI (*Registrar of Co-operative Societies*): The fact was mentioned in the audit order itself. But the Registrar did not think it is advisible to repeat the warning therein, as warning had been administered in due time; no occassion was missed without proper action being taken and the necessary advice tendered to the responsible authorities of this Society.

MR. M. SIVATHANU PILLAI (*Tovala*): May I know how long Rs. 10,000 was kept in the hands of the Treasurer when he had the authority to keep only Rs. 10?

MR. M. GOVINDA PILLAI (*Registrar of Co-operative Societies*): There have been occasions in the case of Societies having large money transactions when money had to kept in the hands of the Treasurer. The member himself will be able to testify to the fact that occasions will arise when it will not be possible to invest the cash balance of the day then and there. Unless there are flagrant cases of irregularities, the Department will not be justified in taking action.

MR. M. SIVATHANU PILLAI (*Tovala*): May I know whether there are any instances in which money to the tune of Rs. 10,000 was kept in the hands of the Treasurer?

MR. M. GOVINDA PILLAI (*Registrar of Co-operative Societies*): It depends upon the transactions of the Society. Excepting the Central Bank and one or two Taluk Banks, I think the Excise Benefit Fund Society is the only Society having large transactions. Its daily receipts average between 200 and 300 rupees.

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Sir, I was surprised to note that Mr. Sivathanu Pillai was commenting even at this late hour upon my circular No. 157. I should inform the House that that circular had the approval of the majority of co-operators in the State. It merely enunciated the simple principle that divisible profits should be calculated on the amount of interest *realised* and not on the amount *accrued*. This has been the practice in British India. But it has not been unfortunately adopted here. Several Societies have been distributing profits without even making provision for bad debt, etc.

PRESIDENT : Will the Registrar bring his remarks to a close soon? The time is coming to an end.

MR. M. GOVINDA PILLAI (*Registrar of Co-operative Societies*) : Sir, I would ask the House whether, handicapped as he is by paucity of hands and want of sympathetic co-operation from the public, the pay of the Registrar deserves a further reduction? Already it is far less than that of anyone of his predecessors and even less than the pay the first Registrar drew 16 years ago.

MR. A. THANU PILLAI (*Trivandrum-Rural*) : May I know when Government opened this Department?

MR. M. GOVINDA PILLAI (*Registrar of Co-operative Societies*) : Twenty years ago.

MR. T. P. VELAYUDHAN PILLAI (*Tiruvalla III*) : In the light of the explanation of the Registrar, I propose to withdraw the motion.

MR. P. K. NARAYANA PILLAI (*Ambalapuzha I*) : I oppose the withdrawal.

The question that the motion be withdrawn was then put and carried. The motion was withdrawn.

Motion Nos. 608 to 619.

The time allotted for the Demand having expired, the following motions lapsed : –

MR. K. SANKARAN :

608. To reduce the allotment of Rs. 4,200 for Registrar by Re. 1.

MR. M. SIVATANU PILLAI :

609. To omit the allotment of Rs. 1,280 for Inspectors (Temporary.)

MR. K. A. NARAYANA PILLAI :

610. To reduce the allotment of Rs. 1,280 for Inspectors (Temporary) by Re. 1.

MR. V. RAMAKRISHNA PANICKAR :

611. To reduce the allotment of Rs. 24,917 for Inspecting Staff by Re. 1,

MR. T. T. KESAVAN SASTRI :

612. To reduce the allotment of Rs. 35,837 for establishment by Re. 1.

MR. N. JOHN JOSEPH :

613. To reduce the allotment of Rs. 35,837 for establishment by Re. 1.

MR. R. SIVARAMAN NAIR :

614. To reduce the allotment of Rs. 12,292 for travelling allowance by Re. 1.

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MR. A. THANU PILLAI :

615. To reduce the allotment of Rs. 65,513 for Registrar of Co-operative Societies by Re. 1.

MR. N. JOHN JOSEPH :

616. To reduce the allotment of Rs. 1,000 for travelling allowance by Re. 1.

SRIMATI T. NAKAYANI AMMA :

617. To reduce the total allotment of Rs. 80,097 under Demand IX by Re. 1.

MR. V. K. VELAPPAN NAIR :

618. To reduce the total allotment of Rs. 80,097 under Demand IX by Rs.5 .

MR. M. SIVATANU PIALAI :

619. To reduce the total allotment of Rs. 80,097 under Demand IX by Re. 1.

The question that a sum of Rs. 80,097 be granted under Demand IX - Co-operative Department—was then put and carried. The grant was made.

DEMAND No. X—EXCISE DEPARTMENT.

MR. C. O. MADHAVAN (*Excise Commissioner*): Sir, I beg to move for a grant of Rs. 6,17,732 under Demand X—Excise Department.

Motion No. 620.

MR. P. K. NARAYANA PILLAI (*Ambalapuzha I*): Sir, I move to reduce the allotment of Rs. 11,400 for Salt Factories by Rs. 10.

The object of my motion is to object to the import of foreign salt and to stress the development of home production. I have seen a representation by some of the licensees of the Salt Factories in Travancore to the effect that enough salt could be produced in Travancore for home consumption, provided Government through the Excise Department are prepared to extend certain facilities for the production of home salt. I raise the question for the purpose of drawing the attention of the House that, when such a possibility exists in the State itself, there is no necessity to import foreign salt especially from Bombay into the State. Therefore, I press this motion for the consideration of the House.

MR. K. R. ELENKATH (*Kalkulam I*): Sir, I rise to support the motion. In doing so, I would point out that from year to year the necessity for importing foreign salt, especially Bombay salt, is felt less and less and its import in recent years cannot be justified by Government. The administration reports of the Excise Department show that there has been a steady increase in the production of local salt in recent times. The total quantity of salt manufactured here in 1108 was 6,63,553 maunds. It rose to 8,61,863 maunds in 1109. This year the rise has been so phenomenal and unprecedented that the supply of local salt has exceeded the quantity required for local consumption.

This year, as we are aware, there has been over-production of salt as a result of which we have an extra out put which will lie idle in our depots at the end of the year. While that is the case it is quite unreasonable and unjust to waste our money for purchase of foreign

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